

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2015

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	9
Statement of Activities.....	10
Statement of Cash Flows.....	11
NOTES TO THE FINANCIAL STATEMENTS	12
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):	
Schedule of the Proportionate Share of the Net Pension Liability	30
Schedule of Contributions.....	31
Notes to the Required Supplementary Information - Utah Retirement Systems.....	32
COMPLIANCE SECTION:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34
Independent Auditor's Report in Accordance with the <i>State Compliance Audit Guide</i> on Compliance with General State Compliance Requirements and on Internal Control Over Compliance	36

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
Central Iron County Water Conservancy District
Cedar City, Utah 84721

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Central Iron County Water Conservancy District, an enterprise fund, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of Central Iron County Water Conservancy District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Central Iron County Water Conservancy District at December 31, 2015, and the changes in financial position and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Utah Retirement Systems pension liability and contribution information on pages 3 through 7 and 30 through 32, respectively, be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2016, on our consideration of Central Iron County Water Conservancy District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Iron County Water Conservancy District's internal control over financial reporting and compliance.

Kimball & Roberts, PC

Certified Public Accountants

May 31, 2016
Richfield, Utah

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the Central Iron County Water Conservancy District (the District), we offer readers of the financial statements this narrative discussion, overview, and analysis of the District's financial activities for the year ending December 31, 2015. We encourage readers to consider the information presented here as an overview of the operations of the District. This discussion and analysis is not intended to cover every aspect of the daily activities of the District.

The purpose of Central Iron County Water Conservancy District is to provide conservation and development of water resources to the residents of the district.

Financial Highlights

- * The assets of the District exceeded its liabilities as of the close of the most recent year by \$23,868,162 (net position). Of this amount, \$3,094,765 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens, creditors, and capital expansion.
- * The District's total net position increased by a net amount of \$679,571.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of four components: 1) Statement of Net Position; 2) Statement of Revenue, Expenses, and Changes in Net Position; 3) Statement of Cash Flows; and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements to give the reader an overall view of the District as a whole. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

Statement of Net Position

This condensed Statement of Net Position presents information on all of the assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position invested in capital assets are the fixed assets of the District reduced by accompanying debt and accumulated depreciation. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Net Position (continued)

	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 3,649,010	\$ 3,048,665
Capital Assets	<u>30,940,537</u>	<u>30,506,976</u>
Total Assets	<u>34,589,547</u>	<u>33,555,641</u>
Deferred Outflows of Resources	<u>29,960</u>	
Long-Term Liabilities Outstanding	9,953,317	10,462,722
Other Liabilities	<u>790,447</u>	<u>788,513</u>
Total Liabilities	<u>10,743,764</u>	<u>11,251,235</u>
Deferred Inflows of Resources	<u>7,581</u>	
Net Position:		
Net Investment in Capital Assets	20,477,815	19,500,229
Restricted	295,582	295,582
Unrestricted	<u>3,094,765</u>	<u>2,508,595</u>
Total Net Position	<u>\$ 23,868,162</u>	<u>\$ 22,304,406</u>

As noted earlier, net position may serve over time as a useful indicator of an institution's financial position. In the case of the District, assets exceeded liabilities by \$23,868,162 at the close of the most recent fiscal year. This represents an increase over the preceding year of \$679,571. The unrestricted net position of \$3,094,765 may be used to meet the District's ongoing obligations to customers of the District.

Statement of Revenues, Expenses, and Changes in Net Position

This condensed Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the net position of Central Iron County Water Conservancy District changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The breakdown of "operating" and "non-operating" categories are defined by accounting standards.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 472,051	\$ 590,845
Operating Expenses	<u>(1,444,935)</u>	<u>(1,580,518)</u>
Net Operating Gain (Loss)	(972,884)	(989,673)
Non-Operating Revenues (Net)	<u>1,652,455</u>	<u>1,457,783</u>
Increase in Net Position	679,571	468,110
Net Position - Beginning of Year, Restated	<u>23,188,591</u>	<u>21,836,296</u>
Net Position - End of Year	<u>\$ 23,868,162</u>	<u>\$ 22,304,406</u>

Statement of Cash Flows

This condensed Statement of Cash Flows provides an additional perspective of the District's financial results for the fiscal year. It provides a source and use of cash for broad categories of activities.

	<u>2015</u>	<u>2014</u>
Cash provided (used) by:		
Operating activities	\$ (333,502)	\$ (271,740)
Non-capital financing activities	1,752,801	1,698,975
Capital financing activities	(859,844)	(835,103)
Capital investing activities	<u>13,985</u>	<u>6,380</u>
Net Increase (Decrease) in Cash	573,440	598,512
Cash - Beginning of Year	<u>2,966,286</u>	<u>2,367,774</u>
Cash - End of Year	<u>\$ 3,539,726</u>	<u>\$ 2,966,286</u>

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of December 31, 2015 was \$30,940,537 (net of accumulated depreciation). The investment in capital assets includes land, buildings, water rights, utility system, and equipment.

The total additions to the District's investment in capital assets for the current year was \$176,638. Major capital events during the current year are shown below by category in comparison to the prior year.

	<u>2015</u>	<u>2014</u>
Investment in Fixed Assets:		
Construction in Progress	\$ 1,111,191	\$ 29,790
Land and Water Rights	8,815,767	8,815,767
Buildings	205,656	211,883
Water Utility System	20,746,166	21,394,571
Equipment	<u>61,757</u>	<u>54,965</u>
 Total Assets	 <u>\$ 30,940,537</u>	 <u>\$ 30,506,976</u>

Additional information on the District's capital asset's can be found in the notes to the financial statements.

Debt Administration

At the end of the current year, the District had a total bonded debt and other long-term obligations outstanding of \$10,462,722. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	<u>2015</u>	<u>2014</u>
Long Term Obligations:		
Revenue Bonds Payable	\$ 9,458,001	\$ 9,827,677
Other Long-Term Obligations	<u>1,004,721</u>	<u>1,179,070</u>
 Total Long-Term Obligations	 <u>\$ 10,462,722</u>	 <u>\$ 11,006,747</u>

Additional information on the District's long-term debt can be found in the notes to the financial statements.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of this report.

The financial report is designed to provide a general overview of the District's finances for all those with an interest in government finances. Questions concerning any of the information provided in this report or requests for financial information should be addressed to Central Iron County Water Conservancy District, 88 East Fiddlers Canyon Road, Suite # A, P.O. Box 37, Cedar City, Utah 84721-0037.

(This page contains no information and
is used to assist in formatting for easier reading)

BASIC FINANCIAL STATEMENTS

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2015

	<u>December 31,</u> <u>2015</u>	<u>(Memorandum)</u> <u>(Only)</u> <u>December 31,</u> <u>2014</u>
ASSETS		
Current Assets:		
Cash and Investments	\$ 3,539,726	\$ 2,966,286
Accounts Receivable	32,876	25,679
Property Tax Receivable	75,850	56,700
Total Current Assets	<u>3,648,452</u>	<u>3,048,665</u>
Noncurrent Assets:		
Net Pension Asset	558	-
Capital Assets (Net of Accumulated Depreciation):	30,940,537	30,506,976
Total Noncurrent Assets	<u>30,941,095</u>	<u>30,506,976</u>
TOTAL ASSETS	<u>34,589,547</u>	<u>33,555,641</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related To Pensions	29,960	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 34,619,507</u>	<u>\$ 33,555,641</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 40,721	\$ 62,873
Compensated Absences Payable	14,955	10,351
Customer Deposits	22,090	8,500
Payroll Taxes Payable	-	1,337
Accrued Interest Payable	151,401	161,427
Bonds Payable - Due Within One Year	561,280	544,025
Total Current Liabilities	<u>790,447</u>	<u>788,513</u>
Noncurrent Liabilities:		
Bonds Payable After One Year	9,901,442	10,462,722
Net Pension Liability	51,875	-
Total Noncurrent Liabilities	<u>9,953,317</u>	<u>10,462,722</u>
TOTAL LIABILITIES	<u>10,743,764</u>	<u>11,251,235</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	7,581	-
NET POSITION		
Net Investment in Capital Assets	20,477,815	19,500,229
Restricted For:		
Debt Service	295,582	295,582
Unrestricted	3,094,765	2,508,595
TOTAL NET POSITION	<u>23,868,162</u>	<u>22,304,406</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 34,619,507</u>	<u>\$ 33,555,641</u>

The notes to the financial statements are an integral part of this statement.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
For The Year Ended December 31, 2015

	December 31, 2015	(Memorandum) (Only) December 31, 2014
OPERATING REVENUES		
Water Sales Revenue	\$ 472,051	\$ 590,845
TOTAL REVENUES	<u>472,051</u>	<u>590,845</u>
OPERATING EXPENSES		
Depreciation Expense	665,465	665,526
Dues & Memberships	4,912	3,436
Insurance Expense	23,143	19,193
Lease Expense	9,471	9,471
Maintenance	32,849	33,590
Water System Expense	134,736	104,848
Office, Telephone, and Postage Expense	32,575	36,810
Payroll Taxes	14,351	13,395
Professional Expenses	64,620	201,552
Cost Sharing - USU	42,172	42,857
Salaries and Wages	187,596	174,266
Employee Benefits	108,686	104,059
Travel	12,750	9,581
Utilities Expense - Pumping	103,771	151,421
West Desert Monitoring	177	8,201
Other Expenses (1916)	7,661	2,312
TOTAL OPERATING EXPENSES	<u>1,444,935</u>	<u>1,580,518</u>
NET OPERATING GAIN (LOSS)	<u>(972,884)</u>	<u>(989,673)</u>
NONOPERATING REVENUE (EXPENSES)		
Property Tax Revenue	1,619,034	1,602,364
Fee-In-Lieu of Taxes	112,917	103,588
State Grants	40,000	-
Impact Fees	164,000	82,500
Connection Fees	47,000	33,700
Other Revenue	4,223	20,736
Interest Earnings	13,985	6,380
Interest and Fiscal Charges	(357,969)	(391,485)
Pension Expense	(18,796)	-
Benefit Expense	28,061	-
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>1,652,455</u>	<u>1,457,783</u>
CHANGES IN NET POSITION	679,571	468,110
TOTAL NET POSITION - BEGINNING OF YEAR, RESTATED	<u>23,188,591</u>	<u>21,836,296</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 23,868,162</u>	<u>\$ 22,304,406</u>

The notes to the financial statements are an integral part of this statement.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Year Ended December 31, 2015

	December 31, 2015	(Memorandum) (Only) December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Customers	\$ 464,855	\$ 604,227
Cash Paid To Employees	(182,992)	(279,151)
Cash Paid To Suppliers	(615,365)	(596,816)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>(333,502)</u>	<u>(271,740)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property Tax Revenue	1,712,801	1,698,975
Grant Revenue	40,000	-
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1,752,801</u>	<u>1,698,975</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Other Receipts	4,223	20,736
Impact and Connection Fees	211,000	116,200
Customer Deposits	13,590	8,500
Acquisition of Capital Assets	(176,638)	(44,780)
Interest and Fiscal Charges Paid on Capital Debt	(367,994)	(385,488)
Principal Paid On Long-Term Debt	(544,025)	(550,271)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(859,844)</u>	<u>(835,103)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Revenue	13,985	6,380
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	573,440	598,512
CASH AND INVESTMENTS - BEGINNING OF YEAR	<u>2,966,286</u>	<u>2,367,774</u>
CASH AND INVESTMENTS - END OF YEAR	<u>\$ 3,539,726</u>	<u>\$ 2,966,286</u>
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Gain (Loss)	\$ (972,885)	\$ (989,673)
Adjustments to Reconcile Net Operating Gain (Loss) to Net Cash Provided (Used) By Operating Activities:		
Depreciation	665,465	665,526
Increase (Decrease) In Operating Assets and Liabilities:		
Accounts Receivable	(7,197)	13,382
Accounts Payable	(22,152)	39,777
Compensated Absences Payable	4,604	(826)
Payroll Taxes Payable	(1,337)	74
Total Adjustments	<u>639,383</u>	<u>717,933</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (333,502)</u>	<u>\$ (271,740)</u>

The notes to the financial statements are an integral part of this statement.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central Iron County Water Conservancy District, a Utah political subdivision, (the District) is organized under the Utah Water Conservancy Act of the State of Utah. The District operates under a board of directors appointed by Iron County and provides conservation and development of water resources to the residents of the District. The District is not a component unit of any other governmental entity, and it has no component units.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to government units. The District develops, purchases, treats, and sells water to retail and wholesale customers and operates in no other industry. The following is a summary of the more significant of such policies.

A. Reporting Entity:

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the exercise of special financial relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units have been included in defining the District's reporting entity.

B. Financial Statement Presentation:

The District has adopted the provisions of GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management Discussion and Analysis - for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Disclosures. These statements require governmental entities with more than one governmental activity to present additional accrual-based statements to better communicate the financial status of the entity. The significant changes to the District's financial statements relating to these standards are the Management's Discussion and Analysis and the titles and presentation of the financial statements to conform to the net position presentation.

The District reports its water development, production, storage, and distribution operations as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements of the District are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

C. Cash and Investments:

The District considers all highly liquid investments with an original maturity of three months or less to be cash and investments. Funds invested through the Utah Public Treasurers' Investment Fund are also considered cash and investments.

D. Capital Assets:

Capital assets include property and plant equipment. Capital assets are defined by the District as assets with an initial unit cost of \$2,000 or more and an estimated useful life in excess of one year. Such assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives.

Buildings	40 Years
Water System	40 Years
Equipment	5 Years

E. Operating Revenues and Expenses

The statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as user fees, result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the District's principal activities (such as investment income) and from all nonexchange transactions (such as grants).

F. Net Position

The District's net position is classified as follows:

Net Investment in Capital Assets: This represents the District's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted - Expendable: Restricted expendable net position includes resources which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted: Unrestricted net position represent resources derived from user fees and intergovernmental appropriations. These resources are used for transactions relating to the development of water resource activities of the District, and may be used at the discretion of the governing board to meet current expenses for any legal purpose.

G. Property Tax

The District assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The District should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one type of item that qualifies for reporting in this category, deferred outflows as relating to pensions as described in Note 8.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. The District deferred inflows as relating to pensions as described Note 8. This amount is deferred and recognized as an inflow of resources in the period in which the amount becomes available.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Date of Subsequent Event Evaluation

The District's subsequent events have been evaluated through the day of the financial statement issuance of May 31, 2016.

NOTE 2 - CASH AND INVESTMENTS

The District maintains a cash and investment pool, which includes the cash account and several investments.

Deposits and investments for local governments are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "The Act") and by rules of the Utah Money Management Council ("The Council").

The District's deposit and investment policy is to follow the Utah Money Management Act and rules of the Utah Management Council. However, the District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

Utah State law requires that District funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified Depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued**

NOTE 2 - CASH AND INVESTMENTS (Continued)

As of December 31, 2015, the District had the following deposits and investments:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>
Cash on Deposit	\$ 2,790,330
State Treasurer's Investment Pool	<u>749,396</u>
Total Cash and Investments	<u><u>\$ 3,539,726</u></u>

Reported on the Financial Statements as Follows

Cash and Investments	<u><u>\$ 3,539,726</u></u>
----------------------	----------------------------

The following paragraphs discuss the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits- Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2015, \$2,590,737 of the District's bank balances of \$2,840,737 were uninsured.

Investments- Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial risk.

Credit Risk:

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's; bankers acceptances; obligations of the U.S. Treasury and U.S. Government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the District's investments at December 31, 2015:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Rating</u>
PTIF	749,396	Less than 1 Year	Not Rated

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to decline in fair value by solely investing in the PTIF and by adhering to the Money Management Act. The Act requires that the investing remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the County's investments are noted above.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the District's portfolio at the time of purchase. As of year-end, the District had no investments other than an investment in the Utah Public Treasurer's Investment Fund.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets Not Being				
Depreciated:				
Land, Water Rights &				
Easements	\$ 8,815,767	\$ -	\$ -	\$ 8,815,767
Construction In Progress	<u>952,178</u>	<u>159,013</u>	<u>-</u>	<u>1,111,191</u>
Total Capital Assets Not Being Depreciated	<u>9,767,945</u>	<u>159,013</u>	<u>-</u>	<u>9,926,958</u>
Capital Assets Being				
Depreciated:				
Buildings	233,581	-	-	233,581
Water Tanks	140,000	-	-	140,000
Water Utility System	25,253,445	-	-	25,253,445
Machinery and Equipment	3,615	17,625	-	21,240
Autos and Trucks	74,810	-	-	74,810
Equipment	<u>20,862</u>	<u>-</u>	<u>-</u>	<u>20,862</u>
Total Capital Assets Being Depreciated	<u>25,726,313</u>	<u>17,625</u>	<u>-</u>	<u>25,743,938</u>
Less Accumulated				
Depreciation For:				
Buildings	21,698	6,227	-	27,925
Water Utility System	3,998,874	648,405	-	4,647,279
Machinery and Equipment	<u>44,322</u>	<u>10,833</u>	<u>-</u>	<u>55,155</u>
Total Accumulated Depreciation	<u>4,064,894</u>	<u>665,465</u>	<u>-</u>	<u>4,730,359</u>
Total Capital Assets Being Depreciated (Net)	<u>21,661,419</u>	<u>(647,840)</u>	<u>-</u>	<u>21,013,579</u>
Business-Type Activities Capital Assets, Net	<u><u>\$31,429,364</u></u>	<u><u>\$ (488,827)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,940,537</u></u>

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CHANGES IN LONG-TERM DEBT

The following is a summary of bonds payable of the District for the year ended December 31, 2015:

<u>Proprietary Fund Debt:</u>	<u>Balance December 31, 2014</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance December 31, 2015</u>
Cedar Highlands 2011	\$ 232,000	\$ -	\$ 6,000	\$ 226,000
Parity Water Revenue Bond Series 2005 A (UT-DW)	1,890,000	-	125,000	1,765,000
Rural Development Revenue Bonds	2,063,415	-	31,167	2,032,248
State Bank of Southern Utah Water Purchase	1,179,070	-	174,349	1,004,721
USDA - Phase II	2,587,262	-	36,509	2,550,753
Utah Drinking Water - Phase II	2,847,000	-	163,000	2,684,000
Utah Drinking Water - Series 2009	47,000	-	-	47,000
Utah Drinking Water - Series 2009 Phase III	<u>158,000</u>	<u>-</u>	<u>5,000</u>	<u>153,000</u>
Total Proprietary Fund Debt	<u><u>\$11,003,747</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 541,025</u></u>	<u><u>\$10,462,722</u></u>

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CHANGES IN LONG-TERM DEBT (CONTINUED)

The District's total bonded debt service at December 31, 2015 was as follows:

Year Ending <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 561,280	\$ 349,817	\$ 911,097
2017	581,058	330,976	912,034
2018	600,387	311,400	911,787
2019	620,290	301,667	921,957
2020	639,910	270,012	909,922
2021-2025	2,282,403	1,121,050	3,403,453
2026-2030	1,852,319	806,468	2,658,787
2031-2035	799,759	602,716	1,402,475
2036-2040	975,658	426,118	1,401,776
2041-2045	1,103,322	213,004	1,316,326
2046-2049	<u>446,336</u>	<u>21,020</u>	<u>467,356</u>
Total	<u>\$10,462,722</u>	<u>\$ 4,754,248</u>	<u>\$15,216,970</u>

Revenue Bonds at December 31, 2015 consist of the following:

<p>\$3,345,000 Parity Water Revenue Bonds Series 2005 A, issued 11/28/05. Issued by Utah Drinking Water Board. Due in annual installments of \$172,051 to 171,048 through year 2027. Interest rate of 2.46% APR. Reserve requirement is \$ 86,066.</p>	<p>\$ 1,765,000</p>
<p>\$2,250,000 Parity Water Revenue Bond Series 2005C issued by USDA Rural Development. Due in annual installments of \$121,382 through year 2047. Interest rate of 4.5% APR. Reserve requirement is \$ 60,691.</p>	<p>2,032,248</p>
<p>\$2,756,000 Parity Water Revenue Bond Series 2008 issued by USDA Rural Development. Due in annual installments of \$140,803 through year 2049. Interest rate of 4% APR. Reserve requirement is \$ 56,321.</p>	<p>2,550,753</p>
<p>\$3,610,000 Parity Water Revenue Bond Series 2008 issued by Utah Drinking Water Board. Due in annual installments of \$223,952 to \$224,936 through year 2029. Interest rate of 2.25% APR. Reserve requirement is \$ 89,912.</p>	<p>2,684,000</p>

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CHANGES IN LONG-TERM DEBT (CONTINUED)

\$65,000 Parity Water Revenue Bond Series 2009 issued Series 2009 issued by Utah Drinking Water Board. Due in annual installments of from \$4,300 to \$4,140 through year 2029. Interest rate of 2% APR. Reserve requirement is \$892.	\$ 47,000
\$694,705 (principal forgiveness of \$520,705) \$174,000 (net loan amount) Parity Water Revenue Bond Series 2009 issued by Utah Drinking Water Board Due in annual installments of \$7,776 to \$8,500 through year 2040. Interest rate of 2.17% APR. Technical assistance fee. Reserve requirement is \$ 1,700.	153,000
\$250,000 Water Revenue Bonds (assumed on 8/17/2012) Assumed from Cedar Highland Home Owners Association These bonds required yearly payments of \$6,000 to \$12,000, and mature January 1, 2041. Interest rate is 2.38% APR	<u>226,000</u>
Revenue Bonds Payable at December 31, 2015:	<u>9,458,001</u>

All water revenue bonds are secured by revenues generated from water resources.

Other Long-Term Obligations:

\$1,828,942 Capital Lease Obligation Issued by State Bank of Southern Utah in 2008. Due in annual installments of \$235,500 through year 2018. Interest rate of 4.8% APR.	<u>1,004,721</u>
Total Long-Term Obligations Payable at December 31, 2015	<u><u>\$10,462,722</u></u>

Bond Reserves:

The total bond reserves at December 31, 2015 are as noted above: \$ 295,582

NOTE 5 - RISK MANAGEMENT

The District is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of Nature, and job related illness or injury. The District has procured insurance which, in the District's estimation, is adequate to reduce the risk of loss to a manageable level. benefit pension plans administered by the Utah Retirement Systems. The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - ROUNDING CONVENTION

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

NOTE 7 - PRIOR PERIOD ADJUSTMENTS

GASB 68 Adjustment:

The requirement to apply GASB 68 this fiscal year resulted in an adjustment to the prior period net positions. This is due to required disclosure of a Net Pension Liability, Deferred Outflows and Inflows of Resources and if applicable a Net Pension Asset. The net result to net positions are as follows:

West Desert Water Rights Acquisition Costs Capitalized:

Also, management decided to capitalize certain costs related to the West Desert Water Rights acquisition. These costs were initially expensed in the operating statement in prior years. Total costs capitalized are shown below:

Business-Type Funds:

	Proprietary Fund
	<u> </u>
Net Position - Beginning of Period	\$22,304,406
GASB 68 Adjustments to Prior Period	(38,203)
West Desert Water Rights Acquisition Costs	<u>922,388</u>
Net Position - Beginning, Restated	<u><u>\$22,266,203</u></u>

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 8 - PENSION PLAN

Plan Description:

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee retirement system.

Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System): and is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah, 84102 or visiting the website: www.urs.org.

Benefits:

URS provides retirement, disability, and death benefits. Retirement benefits are as shown on the following page.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 8 - PENSION PLAN (CONTINUED)

<u>System</u>	<u>Final Average Salary</u>	<u>Years of Service Required and/or Age Eligible for Benefit</u>	<u>Benefit Percent Per Year of Service</u>	<u>Cola**</u>
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65*	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* with actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions:

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as shown on below:

Utah Retirement Systems

	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employee Contribution Rates</u>
Contributory System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.910%
Noncontributory System:			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 8 - PENSION PLAN (CONTINUED)

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2014, we reported a net pension asset of \$558 and a net pension liability of \$51,875.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.0119465%	\$ -	\$ 51,875
Tier 2 Public Employees System	0.0184212%	<u>558</u>	<u>-</u>
Total Net Pension Asset/Liability		<u>\$ 558</u>	<u>\$ 51,875</u>

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of \$18,796. At December 31, 2015, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,304
Changes in assumptions	-	5,277
Net difference between projected and actual earnings on pension plan investments	1,259	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	<u>28,701</u>	<u>-</u>
Total	<u>\$ 29,960</u>	<u>\$ 7,581</u>

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
 Continued

NOTE 8 - PENSION PLAN (CONTINUED)

\$28,701 was reported as deferred outflows of resources to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	<u>Deferred Outflows (Inflows) of Resources</u>	
2015	\$	(1,445)
2016	\$	(1,445)
2017	\$	(1,445)
2018	\$	(1,379)
2019	\$	(98)
Thereafter	\$	(513)

Actuarial Assumptions:

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary Increases	3.50 - 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table on the following page.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 8 - PENSION PLAN (CONTINUED)

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table on the following page:

Expected Return Arithmetic Basis			
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	40 %	7.06 %	2.82 %
Debt Securities	20 %	0.80 %	0.16 %
Real Assets	13 %	5.10 %	0.66 %
Private Equity	9 %	11.30 %	1.02 %
Absolute Return	18 %	3.15 %	0.57 %
Cash and Cash Equivalents	0 %	0.00 %	0.00 %
Totals			5.23 %
Inflation			2.75 %
Expected arithmetic nominal return			7.98 %

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
 Continued

NOTE 8 - PENSION PLAN (CONTINUED)

The 7.50% investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount Rate:

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate:

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate shown below:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of Net Pension (Asset)/Liability	\$ 128,572	\$ 51,317	\$ (12,685)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

(This page contains no information and
is used to assist in formatting for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
December 31, 2014
Last 10 Fiscal Years*

	<u>Noncontributory System</u>	<u>Tier 2 Public Employees System</u>
Proportion of the Net Pension Liability (Asset)	0.0119465%	0.0184212%
Proportionate Share of the Net Pension Liability (Asset)	\$ 51,875	\$ (558)
Covered Employee Payroll	\$ 74,450	\$ 90,318
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	69.7%	-0.6%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.2%	103.5%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
December 31, 2014
Last 10 Fiscal Years*

	<u>Noncontributory System</u>	<u>Tier 2 Public Employees System</u>
Contractually Required Contribution	\$ 18,777	\$ 7,600
Contributions in Relation to the Contractually Required Contribution	<u>(18,777)</u>	<u>(7,600)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 74,450	\$ 90,318
Contributions as a Percentage of Covered-Employee Payroll **	25.22%	8.41%

* Amounts presented were determined as of calendar year January 1 - December 31. Employers will be required to prospectively develop this table in future years to show 10-years of information. The schedule above is only for the current year.

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding of other administrative issues.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 UTAH RETIREMENT SYSTEMS
 December 31, 2014**

Other Information Not Required as Part of RSI:

The information below is not required as part of GASB 38 but is provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 - December 31.

Defined Contribution System

	<u>Employee Paid Contributions</u>	<u>Employer Paid Contributions</u>
401(k) Plan*	\$ -	\$ 1,522
457 Plan	\$ -	\$ -
Roth IRA Plan	\$ -	\$ -
Traditional IRA Plan	\$ -	\$ -
HRA Plan	\$ -	\$ -

*The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

COMPLIANCE SECTION

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Board Members
Central Iron County Water Conservancy District
Cedar City, Utah 84721

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Central Iron County Water Conservancy District, an enterprise fund, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Central Iron County Water Conservancy District's financial statements, and have issued our report thereon dated May 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Iron County Water Conservancy District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Iron County Water Conservancy District's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Iron County Water Conservancy District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Iron County Water Conservancy District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing or internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kimball & Roberts, PC

Certified Public Accountants

May 31, 2016
Richfield, Utah

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE
STATE COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE
COMPLIANCE REQUIREMENTS AND ON INTERNAL CONTROL OVER COMPLIANCE

The Honorable Board Members
Central Iron County Water Conservancy District
Cedar City, Utah 84721

Report on Compliance with General State Compliance Requirements and for Each Major State Program

We have audited Central Iron County Water Conservancy District's compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District or each of its major state programs for the year ended December 31, 2015.

General state compliance requirements were tested for the year ended December 31, 2015 in the following areas:

Budgetary Compliance	Impact Fees
Fund Balance	Government Records Access Management Act
Utah Retirement Systems	Conflict of Interest
Open and Public Meetings Act	Nepotism
Cash Management	Special and Local Service District Board Members

The District did not have any state funding classified as a major program during the year ended December 31, 2015.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the and *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the District occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on General State Compliance Requirements

In our opinion, Central Iron County Water Conservancy District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the District for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the *State Compliance Audit Guide*.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the compliance requirements that could have a direct and material effect on the District to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance*, is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Board Members
Central Iron County Water Conservancy District
Page -2-

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Kimball & Roberts, PC

Certified Public Accountants

May 31, 2016
Richfield, Utah